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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 14, 1999

APPLICATION OF

xDSL NETWORKS, INC.

CASE NO. PUC980128

For certificates of public
convenience and necessity to
provide local exchange and
interexchange telecommunications
services

FINAL ORDER

On November 3, 1998, xDSL Networks, Inc. ("xDSL" or "the Company") completed an application for certificates of public convenience and necessity ("certificate") to provide local exchange and interexchange telecommunications services throughout the Commonwealth of Virginia. As part of its application, xDSL requested a waiver of § 2.E.1 of the Commission's Rules for Local Exchange Telephone Competition, as adopted in Case No. PUC950018 ("Local Exchange Rules") requiring audited financial statements to be filed with the application.

By Order dated November 19, 1998, the Commission directed the Company to provide notice to the public of its application, directed the Commission Staff to conduct an investigation and file a report, and scheduled a public hearing to receive evidence relevant to xDSL's application. On December 17, 1998, the Staff filed its report finding that xDSL's application was

in compliance with the Commission's Local Exchange Rules and the Commission's Rules Governing the Certification of Interexchange Carriers, as amended in Case No. PUC850035, and that xDSL did not provide audited financial statements.

Based upon its review of xDSL's application and its requested waiver of Local Rule § 2.E.1, the Staff determined it would be appropriate to grant to the Company an interexchange certificate and a local exchange certificate subject to two conditions: (1) any customer deposits collected by the Company shall be retained in an unaffiliated third-party escrow account for such time as the Staff or Commission determines is necessary; and (2) the Company shall provide audited financial statements to the Staff no later than one year from the effective date of its initial tariff.

A hearing was conducted on January 7, 1999. xDSL filed proof of publication and proof of service as required by the November 19, 1998, scheduling order. At the hearing, the application and accompanying attachments, and the Staff report were entered into the record without objection.

Having considered the application and the Staff report, the Commission finds that xDSL should be granted certificates to provide local exchange and interexchange telecommunications services. We also find the Company's request for a waiver of

§ 2.E.1 of the Local Exchange Rules, as it relates to filing audited financial statements with the application, should be granted. Although we will require the Company to retain any customer deposits in an unaffiliated third-party escrow account, this requirement should not be interpreted to prevent the Company's normal access to deposits from delinquent terminated accounts. Having considered § 56-481.1, the Commission further finds that xDSL may price its interexchange services competitively. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) xDSL Networks, Inc. is hereby granted a certificate of public convenience and necessity, No. TT-60A, to provide interexchange services subject to the restrictions set forth in the Commission's Rules Governing the Certification of Interexchange Carriers, § 56-265.4:4 of the Code of Virginia, and the provisions of this order.

(2) xDSL Networks, Inc. is hereby granted a certificate of public convenience and necessity, No. T-430, to provide local exchange telecommunications services subject to the restrictions set forth in the Commission's Rules for Local Exchange Telephone Competition, § 56-265.4:4 of the Code of Virginia, and the provisions of this order.

(3) xDSL shall provide tariffs to the Division of Communications which conform with all applicable Commission rules and regulations.

(4) xDSL shall provide to the Division of Economics and Finance audited financial statements no later than one year from the effective date of its initial tariff.

(5) Should xDSL collect customer deposits, it shall establish and maintain an escrow account, held by a third party, to hold such funds, and shall notify the Commission Staff of the escrow arrangement. Any escrow arrangement established pursuant to this order shall be maintained for such time as the Staff or Commission determines necessary.

(6) Pursuant to § 56-481.1 of the Code of Virginia, Cavalier may price its interexchange services competitively.

(7) There being nothing further to come before the Commission, this case shall be dismissed and the papers filed herein placed in the file for ended causes.